

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА  
TRIBUNAL DE CUENTAS EUROPEO  
EVROPSKÝ ÚČETNÍ DVŮR  
DEN EUROPÆISKE REVISIONSRET  
EUROPÄISCHER RECHNUNGSHOF  
EUROOPA KONTROLLIKODA  
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ  
EUROPEAN COURT OF AUDITORS  
COUR DES COMPTES EUROPÉENNE  
CÚIRT INIÚCHÓIRÍ NA HEORPA



CORTE DEI CONTI EUROPEA  
EIROPAS REVĪZIJAS PALĀTA  
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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts of the Clean Sky Joint Undertaking  
for the financial year 2011

together with the replies of the Joint Undertaking

## **INTRODUCTION**

1. The Clean Sky Joint Undertaking, located in Brussels, was set up in December 2007<sup>1</sup> for a period of ten years.
2. The objective of the Clean Sky Joint Undertaking is to accelerate the development, validation and demonstration of clean air-transport technologies in the EU for earliest possible deployment<sup>2</sup>. The research activities coordinated by the Joint Undertaking are divided into six technological areas or 'Integrated Technology Demonstrators' (ITDs).
3. The Founding Members of the Joint Undertaking are the European Union, represented by the Commission, and industrial partners as the leaders of the ITDs, together with the associate members of the ITDs.
4. The maximum EU contribution to the Clean Sky Joint Undertaking to cover running costs and research activities is 800 million euro to be paid from the budget of the Seventh Framework Programme<sup>3</sup>. Other Members of the Joint Undertaking are to contribute resources at least equal to the EU contribution, including in-kind contributions.
5. The Joint Undertaking started working autonomously on 16 November 2009.

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<sup>1</sup> Council Regulation (EC) No 71/2008 of 20 December 2007 setting up the Clean Sky Joint Undertaking (OJ L 30, 4.2.2008, p. 1).

<sup>2</sup> The **Annex** summarises the Joint Undertaking's competences, activities and available resources. It is presented for information purposes.

<sup>3</sup> The Seventh Framework Programme, adopted by Decision No 1982/2006/EC of the European Parliament and of the Council (OJ L 412, 30.12.2006, p. 1), brings all the research-related EU initiatives together under one roof and plays a crucial role in achieving the goals of growth, competitiveness and employment. It is also a key pillar for the European Research Area.

## **INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

6. The audit approach taken by the Court comprises analytical audit procedures, testing of transactions at the level of the Joint Undertaking and an assessment of key controls of the supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

### **STATEMENT OF ASSURANCE**

7. Pursuant to the provisions of Article 287(1) of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts<sup>4</sup> of the Clean Sky Joint Undertaking, which comprise the “financial statements”<sup>5</sup> and the “reports on the implementation of the budget”<sup>6</sup> for the financial year ended 31 December 2011, and the legality and regularity of the transactions underlying those accounts.

8. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002<sup>7</sup>.

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<sup>4</sup> The Court received the provisional annual accounts on 1 March 2012. These accounts are accompanied by a report on the budgetary and financial management during the year which gives *inter alia* an account of the rate of implementation of the appropriations.

<sup>5</sup> The financial statements include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and the annex to the financial statements, which includes a description of the main accounting policies and other explanatory information.

<sup>6</sup> The budget implementation reports comprise the budget outturn account and its annex.

<sup>7</sup> OJ L 248, 16.9.2002, p. 1.

### The Management's responsibility

9. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the Joint Undertaking's financial rules, under his own responsibility and within the limits of the authorised appropriations<sup>8</sup>.

The Director is responsible for putting in place<sup>9</sup> the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts<sup>10</sup> that are free from material misstatement, whether due to fraud or error and for ensuring that the transactions underlying those accounts are legal and regular.

### The Auditor's responsibility

10. The Court's responsibility is to provide, on the basis of its audit, a statement of assurance as to the reliability of the Joint Undertaking's annual accounts and the legality and regularity of the transactions underlying them.

11. The Court conducted its audit in accordance with the IFAC and ISSAI<sup>11</sup> International Auditing Standards and Codes of Ethics. Those standards require the Court to comply with ethical and professional requirements and to plan and perform the audit so as to obtain reasonable assurance as to whether the accounts are free from material misstatement and whether the underlying transactions are legal and regular.

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<sup>8</sup> Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

<sup>9</sup> Article 38 of Regulation (EC, Euratom) No 2343/2002.

<sup>10</sup> The rules concerning the presentation of the accounts and accounting by EU bodies are laid down in Chapters 1 and 2 of Title VII of Regulation (EC, Euratom) No 2343/2002, as last amended by Regulation (EC, Euratom) No 652/2008 (OJ L 181, 10.7.2008, p. 23), and are integrated as such in the financial rules of the Joint Undertaking.

<sup>11</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

12. The Court's audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the accounts and of the legality and regularity of the transactions underlying them. The procedures selected, including its assessment of the risks of material misstatement of the accounts or of illegal or irregular transactions, whether due to fraud or error, depend on its audit judgement. In making those risk assessments, internal controls relevant to the entity's preparation and presentation of accounts are considered in order to design audit procedures that are appropriate in the circumstances. The Court's audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

13. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

***Opinion on the reliability of the accounts***

14. In the Court's opinion, the annual accounts of the Joint Undertaking fairly present, in all material respects, its financial position as of 31 December 2011 and the results of its operations and its cash flows for the year then ended, in accordance with the provision of its financial rules.

***Basis for a qualified opinion on the legality and the regularity of the transactions underlying the accounts***

15. The ex-post audit strategy of the Joint Undertaking was adopted by a Governing Board decision on 17 December 2010 and is a key control for assessing the legality and regularity of the underlying transactions<sup>12</sup>. The ex-

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<sup>12</sup> Article 12(4) of the Regulation setting up the Joint Undertaking states that "The Clean Sky Joint Undertaking shall carry out on-the-spot checks and financial audits among the recipients of the Clean Sky Joint Undertaking's public funding". Ex-post audits may identify ineligible expenditures claimed by the beneficiaries

post audits completed as of September 2012 covered 44,3 million euro (18,8 % of all cost claims received by the Joint Undertaking in 2008, 2009 and 2010<sup>13</sup>). The error rate resulting from these ex-post audits was 6,16 %<sup>14</sup>.

***Qualified opinion on the legality and the regularity of the transactions underlying the accounts***

16. In the Court's opinion, except for the effects of the matters described in paragraph 15, the transactions underlying the annual accounts of the Joint Undertaking for the financial year ended 31 December 2011 are, in all material respects, legal and regular.

17. The comments which follow in paragraphs 18 to 32 do not call the Court's opinions into question.

**COMMENTS ON THE BUDGETARY AND FINANCIAL MANAGEMENT**

***Implementation of the budget***

18. The 2011 final amending budget<sup>15</sup> included commitment appropriations of 175 million euro and payment appropriations of 159,8 million euro. The utilisation rate for commitment appropriations was 94 %, while the rate of payment appropriations was 64 %. The payment appropriation rate reflects delays in the implementation of the Joint Undertaking's activities. There are significant delays between the publication of the calls for proposals and the

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which are then subject to recovery procedures.<sup>13</sup> The 2010 claims were paid during 2011

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<sup>14</sup> The error rate is calculated using an average of the overdeclarations found in the different cost claims weighted by their amount.

<sup>15</sup> Adopted by the Governing Board on 14 December 2011.

signature of the grant agreements<sup>16</sup>. The low implementation of the budget is also reflected in the cash balance, which stood at 51 million euro at the end of the year (32 % of the available payment appropriations in 2011)<sup>17</sup>.

19. The Joint Undertaking, contrary to its financial rules, carried over 68 million euro of payment appropriations to 2012 without a decision by the Governing Board<sup>18</sup>.

### ***Presentation of the accounts***

20. The Joint Undertaking experienced a significant delay in receiving the cost claims from Grant Agreements with Members for 2011. Due to the delay, the validation of a large number of claims could not be completed for the 2011 Final Accounts. The related in-kind contributions (52 million euro) were not approved by the Governing Board in due time and, as a consequence, could not be registered under net assets and had to be reflected under liabilities ("contributions to be validated"). The Joint Undertaking therefore reported negative net assets of 18,5 million euro. The Final Accounts duly reflect this transitional situation that does not indicate any risk of solvency for the Joint Undertaking.

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<sup>16</sup> The average time between the publication of the call for proposals and the signature of the JU grant agreements was 418 days for the calls launched in 2010 and 291 days for first call launched in 2011.

<sup>17</sup> The cash balance at the end of 2010 amounted to 53 million euro (41 % of the available payment appropriations in 2010).

<sup>18</sup> Article 10(1) of the financial rules states that "Appropriations which have not been used at the end of the financial year for which they were entered shall be cancelled. Given the needs of the Joint Undertaking, the cancelled appropriations may be entered in the estimate of revenue and expenditure up to the following three financial years, in accordance with Article 27. However, they may, by decision of the Governing Board taken not later than 15 February, be carried over to the next financial year only, ...".

## **COMMENTS ON KEY CONTROLS OF THE JOINT UNDERTAKING'S SUPERVISORY AND CONTROL SYSTEMS**

21. Despite the progress made during 2011, the Joint Undertaking has not yet fully established reliable internal control and financial information systems. In particular, further work is needed on the ex-ante control procedures applied for the validation of cost claims.

22. In 2011 the Joint Undertaking had not yet implemented the new tool<sup>19</sup> to manage the data relating to the cost claims submitted by the members and beneficiaries.

23. The Court examined the ex-ante control procedures applied to cost claims submitted under three grant agreements with Clean Sky Members<sup>20</sup>. The following weaknesses were noted:

- the checklists used for the ex-ante control on cost claims were not always complete<sup>21</sup>.
- in one case, the audit certificate accompanying the cost claim of an associate included exceptions affecting personnel costs and subcontracting. No adjustment to the cost claim was made as a result of these exceptions.
- contrary to the manual of financial procedures<sup>22</sup>, there is no evidence that the operational agents are also verifying the financial aspects of the implementation of the contracts.

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<sup>19</sup> The Joint Undertaking is developing a new tool to manage the data related to Members.

<sup>20</sup> Each Clean Sky Member claim included on average 30 cost claims of associates.

<sup>21</sup> Critical elements such as the signature of the operational verifying officer and the review of the completeness of the operational checklist by the financial verifying officer were not always documented.



- in at least three transactions, the financial verifying and the authorising officer functions were the responsibility of the head of administration, contrary to the provisions of the manual of financial procedures and the principle of segregation of duties.

24. The Accounting Officer completed in March 2012 the validation exercise of the underlying business processes as required by the Joint Undertaking's financial rules<sup>23</sup>. A number of recommendations were made in the Accounting Officer's validation report, in particular the need to improve the system for the validation of cost claims and the implementation of a tool to properly report to management, on budgetary and accounting matters.

## **OTHER MATTERS**

### ***Internal audit function and the Commission's Internal Audit Service***

25. During 2011, and as a result of resource constraints within the organisation, the internal auditor had to work on the core processes of the Joint Undertaking, including the establishment of the 2010 and 2011 accounts and the validation of cost claims received from members.

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<sup>22</sup> The manual of financial procedures of the Joint Undertaking states that the roles of operational and financial verification and authorising officer shall be separated across the management of operational expenditure and that:

- "the operational verifying agent shall verify that the operational aspects (technical and financial) of the file are in compliance with the agreed parameters.
- the verifying agent (head of administration) shall verify the compliance of the operational aspects with the existing rules and the overall regularity of the operation.
- the executive director shall perform the overall financial and operational check of the entire file."

<sup>23</sup> Article 43 of the JU's financial rules stipulates that the accounting officer shall be responsible for "laying down and validating the accounting systems, and, where appropriate, validating systems laid down by the authorising officer to supply or justify accounting information".

26. In 2011 the Commission's Internal Audit Service carried out a risk assessment exercise. Based on the results of the risk assessment, the strategic audit plan for 2012-2014 was presented to the Governing Board for adoption on 14 December 2011.

27. The mission charter of the Commission's Internal Audit Service was adopted by the Governing Board on 31 March 2011. However, the financial rules of the Joint Undertaking have not yet been amended to include the provision of the Framework Regulation<sup>24</sup> referring to the powers of the Commission's internal auditor.

### ***Payments of members' contributions***

28. The procedure for issuing recovery orders relating to the Joint Undertaking's running costs was not properly applied. The request to the members to pay their 2011 contributions was not accompanied by the cash-flow forecast as required under the funding agreement.

### ***Follow-up of previous observations***

29. As at the end of 2011, the Joint Undertaking had not yet completed the internal procedures to be used for the supervision of the application of the provisions regarding the protection, use and dissemination of research results<sup>25</sup>.

30. The Court in its 2011 Opinion on the Joint Undertaking's financial rules identified a number of areas which needed to be amended<sup>26</sup>. The financial

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<sup>24</sup> Regulation (EC, Euratom) No 2343/2002.

<sup>25</sup> Paragraph 23 of the Court of Auditors' report on the 2010 annual accounts of the Clean Sky Joint Undertaking (OJ C 368, 16.12.2011, p. 8).

<sup>26</sup> Court of Auditors' Opinion No 2/2011 on the Clean Sky Joint Undertaking's Financial Rules (<http://eca.europa.eu>).

rules have not been amended to reflect the matters raised in the Court's Opinion.

31. During 2011 the JU set up a Business Continuity Plan and made progress on the formalisation of the IT security policies. Essential elements<sup>27</sup> of a Disaster Recovery Plan have been defined during 2011, but work is needed to finalise and approve it.

32. The Host State Agreement<sup>28</sup> between the Joint Undertaking and the Belgian authorities concerning office accommodation, privileges and immunities and other support was signed on 2 February 2012.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 13 November 2012.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA  
*President*

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<sup>27</sup> (a) financial circuits in case of disaster; (b) back-up procedure for securing the databases by regular and frequent backup and off-site storage; (c) initial agreement to use the EC installations to access the financial systems (ABAC, SAP) and the internet.

<sup>28</sup> Paragraph 25 of the Court of Auditors' report on the 2010 annual accounts of the Clean Sky Joint Undertaking.

**Clean Sky Joint Undertaking (Brussels)****Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b>  <i>(Extracts from Articles 187 and 188 of the Treaty on the Functioning of the European Union)</i>	<p>Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme provides for a Community contribution to the establishment of long-term public-private partnerships in the form of Joint Technology Initiatives which could be implemented through Joint Undertakings within the meaning of Article 187 of the Treaty.</p> <p>Council Regulation (EC) No 71/2008 of 20 December 2007 setting up the Clean Sky Joint Undertaking (OJ L 30, 4.2.2008, p. 1)</p>
<b>Competences of the Joint Undertaking</b>  <i>(Council Regulation (EC) No 71/2008)</i>	<p><b><u>Objectives</u></b></p> <ul style="list-style-type: none"> <li>– The Clean Sky Joint Undertaking shall contribute to the implementation of the Seventh Framework Programme and in particular Theme 7, Transport (including Aeronautics) of the Specific Programme Cooperation.</li> <li>– accelerating in the EU the development, validation and demonstration of clean Air Transport technologies for earliest possible deployment;</li> <li>– ensuring coherent implementation of European research efforts aiming at environmental improvements in the field of Air Transport;</li> <li>– creating a radically innovative Air Transport System based on the integration of advanced technologies and full scale demonstrators (ITDs), with the target of reducing the environmental impact of air transport through significant reduction of noise and gaseous emissions, and improvement of the fuel economy of aircrafts;</li> <li>– accelerating the generation of new knowledge, innovation and the uptake of research proving the relevant technologies and fully integrated system of systems, in the appropriate operational environment, leading to strengthened industrial competitiveness.</li> <li>–</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>- The governing body of the JU is the Governing Board. The Executive team is led by an Executive Director. Industry is represented through various means such as ITD steering committees and National States representative group.</li> </ul>
<b>Resources available to the Joint Undertaking in 2011</b>	<p><b>Budget</b></p> <p>192 350 991 €</p> <p><b>Staff at 31 December 2011</b></p> <p><i>24 posts provided for in the establishment plan (18 temporary staff and 6 contract staff) of which 23 posts were occupied; these were allocated to: Operational activities: 9; Administrative tasks: 14; Mixed tasks: 5</i></p>
<b>Activities and services provided in 2011</b>	<p>See Annual Activity Report 2011 of the Clean Sky Joint Undertaking at <a href="http://www.cleansky.eu">www.cleansky.eu</a></p>

Source: Information supplied by the Clean Sky Joint Undertaking.

## **Clean Sky replies to the European Court of Auditors Report on the Annual accounts of the CSJU for the financial year 2011**

### **Basis for a qualified opinion on the legality and regularity of the transactions underlying the accounts**

#### *Item 15*

The Clean Sky Joint Undertaking (CSJU) welcomes the positive conclusion of the Court on the legality and regularity of all transactions underlying the annual accounts 2011 with the only exception of transactions relating to the validation of cost claims.

The validation of costs claimed by the JU's beneficiaries leads to interim/final payments and clearing of pre-financing. The ex-post audits performed by the CSJU in 2011 covered costs validated by the management of the Joint Undertaking (JU) concerning the project execution 2008, 2009 and 2010. In the accumulated operational payments incurred by the JU from the beginning of the CS program until December 2011, only 49,5 % <sup>1</sup> were related to project execution 2008, 2009 and 2010.

The error detected by the JU's ex-post audits carried out in 2011 amounts to 6,16 %. However, taking into account the corrective actions implemented by the JU as described further down in this comment, besides the detected error rate another indicator needs to be considered for the assessment of the legality and regularity of the validated cost claims: the residual error rate. According to the methodology described in the approved CSJU ex-post audit strategy, the residual error rate indicates the remaining error in the validated cost claims, after recovery mechanism have taken place. For the ex-post audits carried out in 2011 for previous years' cost claims, the residual error rate amounts to 4,09 %, which leads to a comparatively limited amount at risk in respect of total accumulated operational payments incurred for the CS program until the end of 2011 (2,02 % <sup>2</sup>).

The JU acknowledges the relevance of the detected and residual error rates related to the audited cost claims and aims to enhance further the quality of its ex-ante validation process.

The JU has implemented its ex-post audit process in the year 2011, approximately one year after having achieved its autonomy in November 2009. The scope of the first audits covered the validation process of the year 2010, which was the first one carried out by the JU. In the year 2010 the JU was still in a start-up phase and the ex-ante controls related to the grant management were not yet fully mature to manage the high volume of grants.

With a view to the results of the first ex-post audit exercise carried out, the JU wishes to highlight the effectiveness of this element of its internal control system, through which the management has detected and corrected errors incurred during the JU's ex-ante validation of cost claims. Final corrective actions are still on-going.

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<sup>1</sup> Accumulated operational payments from 2008 to 2011 amount to 261 358 871 euro, final payments plus clearing of pre-financing for the years 2008 to 2010 add up to 129 295 956 euro.

<sup>2</sup> = 4,09 % of (129 295 956 euro/261 385 871 euro)\*100.

Since 2010, the JU has significantly developed its processes governing the validation of cost claims by setting up dedicated procedures including a database for grant management providing for a standard approval mechanism of cost claims by Financial and Project officers.

After the first ex-post audit exercise, the JU has established the appropriate recovery measures to correct the overpayments incurred in the past, including extrapolation of systematic errors detected in the audits on non-audited cost claims. It needs to be noted, that 75 % of the JU's funds are granted to named beneficiaries (members of the CSJU), who participate in the CS projects until the end of the program. This situation facilitates the corrective measures to be taken by the JU through recoveries on the occasion of subsequent payments to the beneficiaries.

As a preventive measure, the procedures applied today for the ex-ante validation of cost claims take into account the results of the ex-post audits of previous years, in particular in cases of systematic errors. For the period 2008 to 2010, more than 80 % of the detected errors were of a systematic nature. This enables the JU also to provide guidance to the named beneficiaries, thus averting errors in future cost claims.

A significant part of the error detected in the ex-post audits of 2011 (approximately 50 %) was due to the usage of previous years' accounting data, as actual data were not available at the time, when the financial statements were due. The JU is monitoring the process of subsequent adjustments within its ex-ante controls and will make sure in the coming reporting periods, that adjustments of previous years' cost claims are submitted without delay.

The JU's management considers it important to ensure a multi-annual control architecture for the grant management of the Clean Sky JU, which takes into account the opportunities for standard recovery procedures as well as for preventive measures. This is why the JU's management has established control mechanisms and objectives for the multi-annual duration of the project, which are measured by indicators covering the entire program duration.

### **Comments on the budgetary and financial management**

#### *Item 18*

The JU relies on the efficient and successful outcome of negotiations relating to the calls for proposals and has taken steps internally to improve and accelerate the process around this important aspect of the payments to new partners. The JU is seeing an overall improvement in the time to grant and is monitoring this closely at management level<sup>3</sup>.

#### *Item 19*

The JU acknowledges the delay of the Governing Board decision approving the carry-over of payment appropriations to the budget plan of the year 2012<sup>4</sup>. The time schedule for the JU's budgetary planning and reporting cycle has been revised in order to take care of the appropriate timely approval of the Governing Board for the carry-overs to the year 2013.

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<sup>3</sup> Since the start-up of the JU, the time to grant has improved from 418 days to 268 days as of the most recent call (Call 10). This shows a further improvement to that assessed by the Court.

<sup>4</sup> The Governing Board did adopt the annual budget plan 2011 in December 2010 wherein an estimate of the carry over amount was included.

## *Item 20*

The JU faced an exceptional situation in the first half of 2012 regarding the receipt of cost claims from its members for project execution in 2011. The financial statements for GAMs 2011, which were due 1<sup>st</sup> March 2012, were submitted by the beneficiaries with an unusual delay of up to 3-4 months. The JU has analysed the underlying reason for this delay together with the ITD coordinators (consortia leaders) and takes action to prevent a similar development in 2013. The following actions have been decided:

- With agreement of the Governing Board (June 2012), a clear timetable for the 2013 process (January - June 2013) will be set out indicating deadlines and response times expected from the industry and the JU.
- Through guidance and training the JU will contribute to improve the completeness and quality of the cost claims and related Certificates of Financial Statements (CFS).
- Close monitoring will be further enhanced by the JU, providing pro-active assistance to the members for individual questions on eligibility of costs. This was not possible due to lack of resources in the first half of 2012.
- A new IT tool for grant management will facilitate the process of submitting and validating cost claims

Following the validation of finally received cost claims by management and approval by the Governing Board later in 2012, the related in-kind contributions will be transferred to the Net Assets of the JU in the 2012 Final accounts. Therefore, the status of the Net Assets as presented in the Final accounts 2011 has to be considered as transitional.

## **Comments on key controls of the Joint Undertaking's supervisory and control systems**

### *Items 21*

During the first quarter of the year 2012 and following previous year's ECA recommendations, the JU has developed a dedicated procedure for the processes related to the validation of cost claims, integrating the POs in the validation process of the financial statements<sup>5</sup>. Besides the validation of the technical reports, the POs check the information available on the usage of resources and notify the result of their validation to the Financial Officers. Clear rules have been developed ensuring the evidence of the financial and operational verification respectively authorisation for the validation of cost claims. The format of the previously used checklist has been improved, in order to provide evidence of the validation steps actually performed and to show the interaction between the financial and operational units.

### *Item 22*

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<sup>5</sup> CS procedure No. 2.9.1, Interim Procedure for validating financial statements received from Members for the execution of GAMs 2011 and for adjustments received for previous years' GAMs.

The JU, following its experiences and previous observations of the Court regarding the processing of data relating to beneficiaries, developed a dedicated tool for the management of beneficiary data for the Grant agreements for members (GMT) in the last quarter of 2011. This tool was used for processing the cost claims of 2011 in the second quarter of 2012 and - after testing the reliability of the data encoded and of the resulting reports by the JU's Accounting officer together with an external audit firm - results were applied for the Final Accounts 2011.

#### *Item 23*

The JU takes note of the remarks of the Court and has taken steps to improve the internal approval processes for both financial and operational actors; indeed, there is now, through the above mentioned grant management tool, a more integrated approach to the validation of the cost claims and annual technical reports by the respective financial and operational actors and this is more visible in the process.

Regarding the segregation of duties, the JU is currently working out a modification of the financial circuits to ensure the segregation between the financial verification and authorisation in cases of absences of the normally foreseen financial actors.

#### *Item 24*

The JU has taken note of the recommendations of the Accounting officer and as already stated, has made significant steps to implement GMT that will allow improving the validation of the cost claims and to be able to comprehensively and regularly report to the JU management.

### **Other matters**

#### *Item 25*

In August 2011, Governing Board and management of the JU had been made aware by the Internal Audit Officer (IAO) on the involvement of the IAO in some core processes in the financial management of the JU and the potential consequences on the independence of the IAO. The risk of a potential lack of assurance regarding the concerned processes will be mitigated through the involvement of the IAS if required.

#### *Item 27*

The JU will amend its financial rules following the next update to the framework financial regulation which is currently underway (see also item 30).

#### *Item 28*

The request for payment of contributions 2011 to the Commission (as one of the Members of the JU) was duly accompanied by an appropriate cash-flow forecast. While a cash flow was not attached, the request to Members other than the EC was accompanied by an explanation of the requested amount and the repartition key, showing the share of each member or associate. Moreover, through the information on the annual accounts of the previous year and



the approved annual budget of the year 2011, provided in the minutes of the Governing Board, all members were delivered with relevant financial details. The JU will make sure, that in future cash flow forecasts will be attached to payment requests also to members other than the Commission.

*Item 29*

The adequate implementation of the detailed provisions in the Annex II, General conditions, of the Clean Sky JU Grant agreements for Members on the protection, use and dissemination of research results is still on-going.

A dedicated procedure, summarising the elements of the JU's supervisory role and controls in place, will be established in due course.

*Item 30*

The JU will amend its financial rules following the next update to the framework financial regulation which is currently underway. This will allow the JU to align itself with the commonly accepted rules and take advantage to clarify, where possible, the issues raised by the Court.

*Item 31*

Together with the neighbouring JUs in their common building, Clean Sky JU has further worked on finalising the Disaster Recovery Plan. It is envisaged, that this will be completed by the end of 2012.